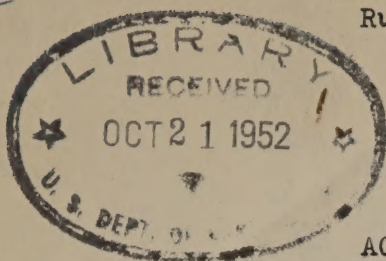


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UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration  
Washington 25, D. C.

AA 1



February 1, 1952

ACCOUNTING AND AUDITING MEMORANDUM 1

SUBJECT: Accounting for Right-of-Way Clearing

Several questions have been raised concerning the proper accounting for right-of-way clearing costs. Four types of cost are considered at this time:

1. Clearing right-of-way or trimming trees along right-of-way where lines had been built and energized at a much earlier date but no clearing or trimming had ever been performed.

The costs are proper charges to operating expenses, Account 761, Operation of Lines (distribution), or Account 746, Operation of Lines, (transmission), even for the first clearing or tree trimming of the right-of-way. It must be presumed that the right-of-way met specifications at the time of construction. The growth, therefore, occurred within the period of operations and the cost of clearing and trimming is operating expense.

2. Retrimming of trees which were trimmed when the line was built.

The cost of retrimming trees is also an operating expense. The proper accounting would be that recommended above.

3. First clearing and tree trimming necessary for preparing right-of-way for construction of the lines.

The cost of first clearing and tree trimming is a capital expenditure chargeable to Account 341, Clearing Land and Right-of-Way, for transmission plant and to Account 350, Land and Land Rights, for distribution plant.

4. Widening existing right-of-way from one width considered satisfactory at the time the line was built to a broader strip made necessary by system improvements or by revision of specifications.

The cost of widening right-of-way is also a capital charge. Frequently, when such work is performed, the existing right-of-way is recleared or brushed. The portion of the total cost relating to the reclearing is operating expense. Where the work is done by an outside party, any brushing or reclearing of the old right-of-way should be segregated in the inventory of the work done. Loan funds, if available, will be advanced only for the cost of widening the right-of-way.

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